

TOWN OF GLENCOE, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

TOWN OF GLENCOE, OKLAHOMA
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YEAR ENDED JUNE 30, 2013

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Independent Auditor's Report

The Board of Trustees
Town of Glencoe, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Glencoe, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such an opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above, present fairly, in all material respects, the modified cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Glencoe, Oklahoma as of June 30, 2013, and the changes in its modified cash basis financial position and, where applicable, its cash flows for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental information, which includes the schedule of federal and state financial awards, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 12, 2013 on our consideration of the Town of Glencoe Oklahoma's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Kimberly R. Mayer, CPA, P.C.
Blackwell, Oklahoma
November 12, 2013

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

The Board of Trustees
Town of Glencoe, Oklahoma

We have audited the financial statements of Town of Glencoe, Oklahoma as of and for the year ended June 30, 2013 and have issued our report thereon dated November 12, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements were prepared on the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Glencoe, Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Glencoe, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Glencoe, Oklahoma's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of control deficiencies, in internal control that there is reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Glencoe, Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

Town of Glencoe, Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Town of Glencoe, Oklahoma's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Kimberley R. Mayer", with a large, stylized flourish extending from the end of the signature.

Kimberly R. Mayer, CPA, P/C.
Blackwell, Oklahoma
November 12, 2013

TOWN OF GLENCOE, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2013

Material Weakness Communicated In Prior Year:

Material Weakness in Internal Control Over Financial Reporting: Inadequate Segregation of Duties:

Criteria:

The segregation of duties and responsibilities between different individuals and the reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

Condition:

Presently, the same individual is responsible for water service billings and receiving payments; making and recording deposits; and maintaining billing registers. Only limited oversight is provided over this individual in the conduct of their daily functions.

Cause:

The entity's limited size has made it difficult for management to fully segregate the duties.

Effect or Potential Effect:

Without sufficient segregation of duties, the risk significantly increases that errors and/or fraud related to the water billing and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation:

The trustees should evaluate the risks associated with the lack of segregation of duties and consider implementing controls that could mitigate these risks.

Board's Response:

The trustees has concluded that due to the limited number of personnel, an adequate segregation of duties is not achievable and that the cost of correcting the weakness would exceed the benefits that would be derived from it.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF GLENCOE, OKLAHOMA
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
JUNE 30, 2013

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
Assets:			
Cash and cash equivalents	\$ 46,389	\$ 4,465	\$ 50,854
Certificates of deposit	190,000	93,000	283,000
Capital assets (Note 2):			
Land		59,929	59,929
Capital assets (net of accumulated depreciation)	352,367	722,378	1,074,745
Total Assets	<u>588,756</u>	<u>879,772</u>	<u>1,468,528</u>
Liabilities:			
Customer meter deposits		20,900	20,900
Notes payable (Note 3)		120,642	120,642
Total Liabilities		<u>141,542</u>	<u>141,542</u>
Net Position:			
Net investment in capital assets	352,367	661,665	1,014,032
Unrestricted	236,389	76,565	312,954
Total Net Position	<u>\$ 588,756</u>	<u>\$ 738,230</u>	<u>\$ 1,326,986</u>

The accompanying report and notes are an integral part of these financial statements.

TOWN OF GLENCOE, OKLAHOMA
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2013

Function/Program	Program Revenue			Net (Expense) Revenue & Changes in Net Assets		
	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
General Government	\$ 58,346	\$	\$	\$ (58,346)	\$	\$ (58,346)
Public Safety	79,367	4,984		(63,094)		(63,094)
Street and Alley	8,020			(8,020)		(8,020)
Parks and Recreation	16,290			(8,340)		(8,340)
Total governmental activities	<u>162,023</u>	<u>4,984</u>		<u>(137,800)</u>		<u>(137,800)</u>
Business-type activities:						
Water	117,907				(54,287)	(54,287)
Sewer	60,567		11,700		(5,257)	(5,257)
Sanitation	40,764				12,654	12,654
Emergency services	10,197				605	605
Total business-type activities	<u>229,435</u>		<u>11,700</u>		<u>(46,285)</u>	<u>(46,285)</u>
Total government	<u>\$ 391,458</u>	<u>\$ 4,984</u>	<u>\$ 11,700</u>	<u>\$ (137,800)</u>	<u>\$ (46,285)</u>	<u>\$ (184,085)</u>
General Revenues:						
Taxes:						
Sales taxes				105,982		105,982
Franchise taxes				15,071		15,071
Gas and vehicle taxes				5,413		5,413
Other taxes				3,249		3,249
Investment income				40	568	608
Miscellaneous				3,999	6,671	10,670
Total general revenues				<u>133,754</u>	<u>7,239</u>	<u>140,993</u>
Change in net position before transfers				(4,046)	(39,046)	(43,092)
Transfers in (out)				(9,262)	9,262	
Change in net position				(13,308)	(29,784)	(43,092)
Net position - beginning of year				602,064	768,014	1,370,078
Net position - end of year				<u>\$ 588,756</u>	<u>\$ 738,230</u>	<u>\$ 1,326,986</u>

FUND FINANCIAL STATEMENTS

TOWN OF GLENCOE, OKLAHOMA
BALANCE SHEET
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$ 23,978	\$ 22,411	\$ 46,389
Certificates of deposit	165,000	25,000	190,000
Total Assets	<u>188,978</u>	<u>47,411</u>	<u>236,389</u>
Liabilities and Fund Balances:			
Liabilities:			
Fund balances:			
Nonspendable			
Restricted			
Committed			
Assigned		47,411	47,411
Unassigned	188,978		188,978
Total Fund Balances	<u>\$ 188,978</u>	<u>\$</u>	<u>236,389</u>

Reconciliation to Statement of Net Position:

Amounts reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities of \$882,761, net of accumulated depreciation of \$530,394, are not financial resources and, therefore, are not reported in the funds.

Net position of governmental activities

352,367

\$ 588,756

TOWN OF GLENCOE, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Taxes	\$ 124,302	\$ 5,413	\$ 129,715
Charges for services	15,055		15,055
Fines		4,184	4,184
Investment income	40		40
Grants	4,984		4,984
Miscellaneous	3,999		3,999
Total Revenues	<u>148,380</u>	<u>9,597</u>	<u>157,977</u>
EXPENDITURES:			
Current:			
General Government	36,090		36,090
Police Department		61,424	61,424
Fire Department	15,892		15,892
Street and Alley		8,020	8,020
Parks and Recreation	25,772		25,772
Grants	0		0
Total Expenditures	<u>77,754</u>	<u>69,444</u>	<u>147,198</u>
Excess (deficiencies) of revenues over expenditures	70,626	(59,847)	10,779
OTHER FINANCING SOURCES (USES):			
Transfers in (out)	<u>(74,940)</u>	<u>65,678</u>	<u>(9,262)</u>
Net changes in fund balances	(4,314)	5,831	1,517
Fund balances, beginning of year	<u>193,292</u>	<u>41,580</u>	<u>234,872</u>
Fund balances, end of year	<u>\$ 188,978</u>	<u>\$ 47,411</u>	<u>\$ 236,389</u>
RECONCILIATION TO THE STATEMENT OF ACTIVITIES:			
Net changes in fund balances - total governmental funds			\$ 1,517
Amounts reported for governmental activities in the Statement of Activities are different because:			
Capital asset purchases capitalized			14,032
Depreciation expense			<u>(28,857)</u>
			<u>(14,825)</u>
Change in Net Position of Governmental Activities			<u>\$ (13,308)</u>

The accompanying report and notes are an integral part of these financial statements.

TOWN OF GLENCOE, OKLAHOMA
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
PROPRIETARY FUND
JUNE 30, 2013

	<u>Public Works Authority</u> <u>Enterprise Fund</u>
Assets:	
Current Assets:	
Cash and cash equivalents	\$ 4,465
Certificates of deposit	<u>93,000</u>
Total Current Assets	97,465
Noncurrent Assets:	
Land	59,929
Other capital assets, net of accumulated depreciation	<u>722,378</u>
Total Noncurrent Assets	<u>782,307</u>
Total Assets	879,772
Liabilities:	
Current Liabilities:	
OWRB notes payable (Note 3)	7,482
Noncurrent liabilities:	
Customer meter deposits	20,900
OWRB notes payable (Note 3)	<u>113,160</u>
Total Noncurrent Liabilities	<u>134,060</u>
Total Liabilities	<u>141,542</u>
Net Position:	
Net Investment in capital assets	661,665
Unrestricted	<u>76,565</u>
Total Net Position	<u>\$ 738,230</u>

The accompanying report and notes are an integral part of these financial statements.

TOWN OF GLENCOE, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	Public Works Authority <u>Enterprise Fund</u>
Operating Revenues:	
Charges for services:	
Water	\$ 63,620
Sewer	43,610
Sanitation	53,418
Emergency services	10,802
Other income	<u>6,671</u>
Total Operating Revenues	178,121
Operating Expenses:	
Water Department	105,709
Sewer Department	37,734
Sanitation Department	40,764
Emergency services	10,197
Depreciation	<u>31,596</u>
Total Operating Costs	<u>226,000</u>
Operating income (loss)	(47,879)
Non-Operating Revenues (Expenses)	
Interest income	568
Interest expense	(3,435)
Grants	<u>11,700</u>
Total Non-Operating Revenues (Expenses)	<u>8,833</u>
Changes in Net Position	(39,046)
Transfers	9,262
Net Position, beginning of year	<u>768,014</u>
Net Position, end of year	<u><u>\$ 738,230</u></u>

The accompanying report and notes are an integral part of these financial statements.

TOWN OF GLENCOE, OKLAHOMA
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

Cash Flows From Operating Activities:

Cash received from customers	\$ 171,450
Other operating cash receipts	6,671
Cash payments to employees	(27,348)
Cash payments to suppliers for goods and services	<u>(167,056)</u>
Net cash provided (used) by Operating Activities	(16,283)

Cash Flows From Non-Capital Financing Activities:

Cash Flows From Capital And Related Financing Activities:

Transfers in (out)	9,262
Acquisition and construction of capital assets	(37,084)
Principle payments	(7,077)
Interest payments	(3,435)
Grants received	<u>11,700</u>
Net cash provided (used) by Financing Activities	(26,634)

Cash Flows From Investing Activities:

Interest on cash and investments	568
Increase (decrease) in meter accounts	900
(Increase) decrease in CDs	<u>22,540</u>
Net cash provided (used) by Investing Activities	<u>24,008</u>

Net increase (decrease) in cash and cash equivalents (18,909)

Beginning cash and cash equivalents	<u>23,374</u>
Ending cash and cash equivalents	<u><u>\$ 4,465</u></u>

Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:

Income (Loss) from operations	(47,879)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	<u>31,596</u>

Net cash provided (used) by operating activities \$ (16,283)

The accompanying report and notes are an integral part of these financial statements.

TOWN OF GLENCOE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Financial Reporting Entity

The Town of Glencoe, Oklahoma (Town) operates under the Town Board of Trustees form of government and provides the following services as authorized by its charter: public safety, streets, public improvements, recreation, planning and zoning, and general administration. The Town's financial reporting entity is composed of the following:

Primary Government: Town of Glencoe, Oklahoma

Blended Component Unit: Town of Glencoe, Oklahoma Public Works Authority

Blended Component Unit

The Glencoe Public Works Authority (PWA), an entity legally separate from the Town but having the Town as its beneficiary, is governed by the same board of trustees as governs the Town. For financial reporting purposes, the PWA is reported as if it were part of the Town's operations because its primary purpose is to finance and provide water, sewer, and trash services to the citizens of the Town.

Basis of Presentation

Government-Wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The Town presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds for that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprises fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

TOWN OF GLENCOE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Governmental Funds:

The General Fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the Town. The reporting entity includes the following special revenue funds, all of which are reported as non-major funds:

Capital Improvement Fund – used to account for resources restricted for the acquisition or construction of specific capital projects or items.

Police Fund – used to account for the revenues received and expenditures paid for public safety.

Street and Alley Fund – used to account for gasoline excise and commercial vehicle taxes legally restricted for street and alley improvements.

Proprietary Funds

The enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Public Works Authority Fund. This fund is used to account for the activities in providing water, sewer, and sanitation services to the public.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements and propriety fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

TOWN OF GLENCOE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Budget Policy and Practice

An annual budget is submitted to the Town Trustees for review, and public hearings are held to address the budget. Once the budget is approved, the Town Trustees may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Revenues are budgeted by source, and expenditures are budgeted by department and class as follows: personal services, materials and supplies, other services and charges, and capital outlay. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. Budget revisions are subject to final review by the Town Trustees.

The budget for the operating funds is prepared on the cash basis. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the applicable purchase orders is expected to be paid. The actual financial statements are reported on the modified cash basis.

Budget and Budgetary Accounting

The Town adopts annual budgets for the general and proprietary funds.

Cash and Cash Equivalents

For the purpose of financial reporting, cash and cash equivalents includes all demand and savings accounts and deposits with a maturity of three months or less.

NOTE 2 – PROPERTY AND EQUIPMENT:

The Town's modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 2000.

TOWN OF GLENCOE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

NOTE 2 – PROPERTY AND EQUIPMENT (continued):

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations, are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

Capital asset activity, resulting from modified cash basis transactions, for the fiscal year ended June 30, 2013 was as follows:

	Balance at 06/30/12	Additions	Deductions	Balance at 06/30/13
Governmental activities:				
Fire Department	\$ 196,006	\$	\$	\$ 196,006
Police Department	31,856	766		32,622
Parks and Recreation	101,484	12,066		113,550
Building	57,071			57,071
General equipment	23,263			23,263
Water, sewer, & street improvements	459,049	1,200		460,249
Totals	<u>868,729</u>	<u>14,032</u>		<u>882,761</u>
Less accumulated depreciation:				
Equipment	326,764	6,859		333,623
Buildings	18,351	2,774		21,125
Water, sewer, & street improvements	156,422	19,224		175,646
Totals	<u>501,537</u>	<u>28,857</u>		<u>530,394</u>
Capital assets, net	<u>\$ 367,192</u>	<u>\$ (14,825)</u>	<u>\$</u>	<u>\$ 352,367</u>
Business-type activities:				
Land	\$ 59,929	\$	\$	\$ 59,929
Utility equipment	78,142	7,382		85,524
Water & sewer system	1,020,636	29,702		1,050,338
Totals	<u>1,158,707</u>	<u>37,084</u>		<u>1,195,791</u>
Less accumulated depreciation:				
Utility equipment	66,739	3,772		70,511
Water & sewer system	315,149	27,824		342,973
Totals	<u>381,888</u>	<u>31,596</u>		<u>413,484</u>
Capital assets, net	<u>\$ 776,819</u>	<u>\$ 5,488</u>	<u>\$</u>	<u>\$ 782,307</u>

TOWN OF GLENCOE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

NOTE 3 – LONG TERM DEBT:

All long-term debt arising from cash basis transactions to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

Long-term debt arising from cash basis transactions of governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

There is no long-term debt at June 30, 2013 as the result of governmental activities. The long-term debt arising from cash transactions, payable from proprietary fund resources consisted of the following:

Refundable deposits reported as a liability within the
Statement of Net Position are utility deposits. \$ 20,900

Loan with OWRB for sewer improvements.
Collateral is pledge and assignment of revenues. The
interest rate is 2.6%. The loan payments are
semiannual for 20 years. The maturity date is
9/15/26. \$ 120,642

The following is a summary of changes in long-term debt for the year ended June 30, 2013:

	Balance 6/30/12	Additions	Reductions	Balance 6/30/13	Amounts Due Within One Year
Loans	\$ 127,719	\$	\$ (7,077)	\$ 120,642	\$ 7,482
Refundable deposits	20,000	900		20,900	
Totals	<u>\$ 147,719</u>	<u>\$ 900</u>	<u>\$ (7,077)</u>	<u>\$ 141,542</u>	<u>\$ 7,482</u>

The following is a schedule of the loan payments:

	Payment	Principle	Interest
6/30/14	\$13,767	\$7,482	\$6,194
6/30/15	13,676	7,876	5,800
6/30/16	13,676	8,290	5,386
6/30/17	13,676	8,728	4,948
6/30/18	13,676	9,188	4,488
06/30/19 - 06/30/23	68,380	53,728	14,652
06/30/24 - 06/30/27	27,052	25,350	1,702
	<u>\$ 163,812</u>	<u>\$ 120,642</u>	<u>\$ 43,170</u>

TOWN OF GLENCOE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

NOTE 4 – CASH AND DEPOSITS:

The State of Oklahoma allows municipalities to invest in direct obligations of the United States Government, its agencies or instrumentalities; collateralized or insured certificates of deposit; insured savings accounts of savings certificates; or county, municipal or school district direct debt.

Cash and deposits are categorized for level of risk as follows:

Category 1 – Insured or collateralized with securities held by the Town or by its agent in the Town's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.

Category 3 – Uncollateralized

Cash and deposits, categorized by level of risk, at June 30, 2013 are:

	Bank Balance	Category			Carrying Amount
		1	2	3	
Bank accounts	\$ 60,641	\$ 60,641	\$	\$	\$ 50,854
Certificates of deposit	283,000	283,000			283,000
Totals	<u>343,641</u>	<u>343,641</u>			<u>333,854</u>

NOTE 5 – EQUITY CLASSIFICATION:

Equity in government-wide financial statements is classified as net assets and displayed in three components:

Net Investment in capital assets: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted net position: Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position: All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

TOWN OF GLENCOE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

NOTE 6 – WATER PURCHASE COMMITMENT:

The governing board of the Town of Glencoe, Oklahoma, together with seven other cities and rural water districts located in Noble, Pawnee, and Payne Counties have jointly formed Lone Chimney Water Association (Association). The purpose of the Association is to provide a water system for the benefit of its members and other users. The Association has entered into various loan agreements with the USDA-Rural Development to provide financing for the facility. Under the terms of the agreement regarding the Lone Chimney Water Association, each member has contracted to purchase a minimum amount of water from the Association during the 40 year term of the notes. In addition, each individual member is proportionately liable for any debts that exceed the assets of the Association to the extent of one and one-half times the percentage of ownership interest held by the entity pursuant to the agreement. At June 30, 2013, the Association's debts do not exceed its assets.

At June 30, 2013, the Town of Glencoe, Oklahoma, was obligated to purchase a minimum of 18 million gallons of water annually, currently at a cost of \$51,300. The rate charged for the water can be adjusted every three years to provide sufficient revenues for the Association. Future purchase commitments at current rates are as follows:

6/30/13	\$ 51,300
6/30/14	51,300
6/30/15	51,300
6/30/16	51,300
6/30/17	51,300
Thereafter	769,500
Total	<u>\$ 1,026,000</u>

NOTE 7– PENSION PLANS:

The Town's volunteer firemen participate in the Oklahoma State Firefighter's Pension and Retirement System. Vesting occurs after 10 years of service and payments begin at age 50, or after 20 years of service, whichever is later. The total contribution for the year ended June 30, 2013 was \$1,140 and covered 19 volunteers.

NOTE 8 – RISK MANAGEMENT:

The Town is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town manages this risk through the purchase of commercial insurance policies. Risk management activities are accounted for by fund, and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. There were no claims activity for the year just ended.

TOWN OF GLENCOE, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

NOTE 9 – FAIR VALUE OF FINANCIAL INSTRUMENTS:

The Town's financial instruments include cash and cash equivalents, certificates of deposits and notes payable. The Town's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial statements approximates fair value because of the short maturity of these instruments.

NOTE 10 – ESTIMATES:

The preparation of financial statements in conformity with the modified cash basis of accounting used by the Town requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 10 – EVALUATION OF SUBSEQUENT EVENTS:

The Town has evaluated subsequent events through November 12, 2013 the date which the financial statements were available to be issued.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF GLENCOE, OKLAHOMA
SCHEDULE OF FEDERAL AND STATE FINANCIAL AWARDS
YEAR ENDED JUNE 30, 2013

<u>Grantor/Program</u>	<u>Contract Amount</u>	<u>Contract Number</u>	<u>CFDA Number</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements or Expenses Recognized</u>
<u>Federal Financial Awards:</u>					
Passed through Oklahoma:					
Department of Commerce:					
Community Development	\$ 162,000	14070CDBG09	14.228	\$ 11,700	\$ 11,700
<u>State Financial Awards:</u>					
Department of Agriculture:					
Fire department	\$ 4,484			\$ 4,484	\$ 4,484